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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration,
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To Farm Journal Editors:

The following summaries of information concerning recent activities and developments under the Agricultural Adjustment Act were selected and prepared expressly for the farm press. Requests for additional available information on the subjects here discussed, as well as on pending or proposed agricultural commodity marketing agreements under the Act, are invited. Questions submitted in regard to regulations governing the wheat, cotton, corn-hog, tobacco, rice and dairy production adjustment programs will receive prompt attention.

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## LOANS TO CORN GROWERS INCREASING

Loans totaling more than $16,000,000 had been made under the Federal Corn Loan Plan to Iowa growers from November 23, when the loans were first made available, up to December 23, and are going to that State at the rate of more than $1,000,000 a day, according to William S. Bradley, in charge of the corn loan division of the Commodity Credit Corporation. These loans are at the rate of 45 cents a bushel on corn stored under seal in States having farm warehouse acts.

Mr. Bradley estimates that $45,000,000 to $50,000,000 on corn loans will be taken by Iowa growers. Smaller amounts will meet the requirements of other States. Corn loans to growers in Nebraska, Illinois, and South Dakota amount to about $9,000,000 at present. None has gone so far to Indiana, Missouri, and Ohio, due to incomplete State regulations. In Wisconsin, Minnesota, and Michigan the preliminaries for loans are just getting under way.

Husked ear corn as low in grade as No. 4 when it goes into the crib, is eligible under the Corporation's regulations for loans. For Wisconsin and Michigan, classified as shelled corn States, special regulations have been drawn. About $150,000,000 is available for corn loans to growers who can qualify for them under the Corporation's rules and regulations.

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ONE EDITOR'S VIEW OF "NEW PURCHASING POWER"

A farm journal editor in an Upper Mississippi Valley state, in which wheat acreage adjustment checks are going to farmers, writes:

"Our merchants and business men out this way are getting all hopped up about the possibilities of new purchasing power because of the distribution of Federal money. Judging from all the facts that we can gather, this money is really doing a great deal to revive trade, which, by the way, may be the way out of our difficulties."

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CASH BENEFITS TO FARMERS IMPROVE BUSINESS

Cash benefit payments, aggregating approximately $175,000,000 to growers of wheat and cotton under the Agricultural Adjustment Administration's programs for bringing the production of these basic commodities into line with demand, have already brought about a marked improvement in business in many communities.

Like plants taking on new life when rain follows an extended dry spell, long-depressed communities in the South and Middle West are showing the effects of the Government's agricultural adjustment programs. Men in charge of these programs have expressed the view that purchasing power distributed to farmers would be certain to find its way to other groups. That this is the case is borne out by a survey made in typical counties in the cotton and wheat belts.

Money put into the hands of farmers is benefiting almost every group in their communities, the survey shows. Delinquent taxes are being paid, banks are collecting on notes they had written off long ago; schools are reopening or staying open for longer terms; stores are doing an increased business, and money is being spent for clothing, household furnishings, and supplies, farm implements, automobiles and automobile parts, radio storage batteries, paint, lumber, and many other things that farmers buy.

A striking fact revealed in the survey is that many farmers in the South are able, for the first time in four years, to buy back their own cotton in the form of cotton cloth and articles of clothing.

In some of the wheat areas, stricken by drought two years in succession, the Government checks represent the only cash income that farmers have received this year. Their condition is so desperate that many of them are relying on this money to keep them from starving this winter.

Contrary to the impression held by many city people, not all farmers have been able to provide themselves with the bare necessities of life on their farms. Each of the three counties surveyed has had on its relief rolls a number of farm families. In ordinary times these families are self-supporting, but during the depression they have fared little better than their unemployed city cousins. With increased income from benefit payments, and with

higher prices, many farmers are finding it no longer necessary to depend upon public relief.

It is pertinent to add that benefit payments to farmers under production adjustment programs in 1934 will reach a total of more than $450,000,000, in addition to whatever may be in store for dairymen and beef cattle producers under production adjustment plans now in the formative stage.

Ten million acres of cotton were plowed up this year in the South as a means of reducing the burdensome surplus of cotton. For participation in the 1934 production adjustment plan to restrict next year's planting to 25,000,000 acres, cotton growers in 16 States will receive approximately $165,000,000.

Wheat growers, suffering from low prices under the pressure of excessive supplies, have agreed to a substantial cut in their 1934 and 1935 acreage. They will receive a total of around $102,000,000 this winter and in the spring. About $70,000,000, or 70 percent of the total, is due them as their first of two adjustment payments, and checks are going forward at the rate of much more than $1,000,000 a week. The second wheat adjustment payments, totaling about $32,000,000, will be made in the spring.

Corn growers and hog producers will receive in 1934 about $245,000,000 of the $350,000,000 to be distributed among them in connection with the production adjustment programs for these commodities. For 6,100,000 pigs and 220,000 sows to farrow, hog producers received about $31,000,000 under the short-time or emergency hog-marketing plan that ended September 29, 1933.

To tobacco growers who operate under production and acreage adjustment programs for the six commercial types of tobacco, the benefit payments in 1934 will total between 30 and 40 million dollars.

No estimate of the effect of these programs on prices paid this year to farmers for wheat, cotton, hogs, and tobacco is available. Facts of record, however, show substantial increases in the prices of cotton, wheat, corn, and tobacco. It is the view of Dr. A. G. Black, head of the Corn-Hog Section in the Agricultural Adjustment Administration, that the prices of hogs would be much lower than they are if the emergency hog program had not been carried out last autumn, and if the 1933 corn crop had been normal. As to the effect of all the adjustment programs on the prices of these commodities, Secretary of Agriculture Wallace has recently said "I think they will be decidedly higher in the next few months."

Payments to farmers under production adjustment programs are likely to be over-emphasized under present conditions in some localities. Secretary Wallace and officials of the Agricultural Adjustment Administration are stressing in their efforts and public statements the primary fact that in the law the declared policy of Congress is "to establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period", which is August, 1909-July, 1914.

These prices to farmers' are fair exchange values for these commodities. Farmers know that it now takes very many more pounds of hog, or tobacco, or bushels of wheat, or corn, or bales of cotton to buy things that they need than were required to buy the same things in the base period. This is the key-point to remember and repeat over and over again.

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## CHICAGO MILK MARKETING AGREEMENT TERMINATED

Secretary of Agriculture Wallace has terminated the Chicago milk marketing agreement, effective January 1, 1934. This agreement has been in effect since last August.

In a telegram to Secretary Wallace, Secretary Don N. Gyer of the Pure Milk Association of Chicago made this statement:

"Many cases of payments by distributors to producers less than the price fixed in the contract and license had been filed with your Department."

To this statement Secretary Wallace replied as follows, December 20:

"In response to the request of the Chicago Pure Milk Association, representing 75 percent of the producers in the Chicago milk shed, I have today terminated the Chicago milk marketing agreement, as I am required to do under its terms.

"From August 1 to December 1, no evidence was presented to this Department by you, your association, or anyone else justifying action for revocation of license because of failure to pay the farmer his price or because of purchases other than on the base and surplus plan, although several times requests were made orally to you and your counsel for such evidence.

"At the hearing in Chicago on December 1, for the first time evidence was produced of one violation of farm price provisions of the license, but that violation was by a dairy whose license already had been revoked for violation of resale price provision. To proceed against that dairy for failure to pay farmers their price would have required reopening of that case. Your counsel was opposed to such a reopening of that case, as he had asked that the Attorney General file suit to enjoin that dairy from continuing in business; and we were then conferring with the Attorney General on that subject."

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## $200,000,000 FUND PROPOSED TO AID BEEF AND DAIRY INDUSTRIES

A proposal by farm leaders for Congressional action establishing a $200,000,000 fund to aid in financing important production adjustment programs for the dairy and beef cattle industries was discussed at a conference of agricultural leaders with Secretary Henry A. Wallace and executives of the Agricultural Adjustment Administration in Washington, December 22, 1933.

Anticipating this discussion, telegrams were sent by Secretary Wallace to members of the Senate and House Agriculture Committees, to Governors of leading dairy and beef cattle producing states, and to other members of Congress, asking their opinion of the proposal. Secretary Wallace's telegram was as follows:

> "Acute dairy and beef price situation requires immediate steps to cover the period which must necessarily elapse until consumer ability to buy domestic dairy and beef products is restored. Farm leaders are proposing Congressional action to establish at earliest possible moment two hundred million dollar fund to be used to supplement receipts from processing taxes in the financing of important programs for production adjustment for dairying and beef industries. Advance benefit payments to producers would help tide them over present period in which prices of things they buy are increased while their own income is impaired due to ruinous prices for the products they have to sell. Plan is being discussed at meeting of farm leaders here today. I would appreciate a telegram from you expressing your opinion of the proposal."

The conference on December 22 originally was called to consider administrative policy and possible amendments to strengthen the Agricultural Adjustment Act. Because of the crisis in the dairy industry and continued low prices for beef cattle, the subject matter of the conference was broadened by Secretary Wallace to focus the discussion upon the acute problems of these two industries.

The proposal to establish a 200 million dollar fund and include the beef industry with dairying in broad programs of production adjustment, raises the question of amending the law to add beef cattle to the list of basic commodities. Farm leaders who first discussed the situation on December 21 pointed out that the establishment of this fund would make it possible to pay farmers larger benefit payments, at an earlier date, than otherwise would be possible. The proposed fund would be used to supplement receipts from processing taxes. As in the case of cotton, wheat, corn, hogs and tobacco, the benefit payments would be made to farmers in consideration of their cooperation in adjusting production to reduce surpluses which have been burdening the market and causing chaotic conditions.

Both Secretary Wallace and Chester C. Davis, Administrator of the Act, have repeatedly emphasized that adequate solution of the problems of dairy farmers can come only from an increase in the purchasing power of consumers, or from the restriction of production. The proposed plan, they pointed out, would help tide dairy producers over the period when demand for their products tends to lag behind prices of the things they buy.

The dairy problem has been perhaps the most complex one facing the Agricultural Adjustment Administration. There are nearly 4,000,000 milk producers in the United States. These are widely scattered, with heaviest production in the North Central states, the Northeastern section and along the Pacific Coast.

Although milk is the primary product, it is manufactured into butter, cheese, evaporated and condensed milk, dried milk, casein and other products. The marketing of these products is itself complex. Their prices are interrelated, with butterfat as the fundamental price determinator. Milk is produced every day in the year and in its fluid form is highly perishable. Elaborate facilities have been built up for handling and distributing fluid milk to consumers each day. This involves the observance of strict sanitary requirements imposed by State laws and local ordinances.

During the last decade, the dairy industry enjoyed relatively higher prices than other branches of agriculture. As a result, production has increased year by year. Since the advent of the business depression, however, consumers' purchasing power has been reduced and the consumption of dairy products has been falling off.

Under the system followed in the fluid milk markets, milk not needed for consumption as fluid milk is diverted into manufacturing channels. Hence, the income of producers is governed not only by the base price for fluid milk, but also for the butterfat price expressed in butter and other products.

Milk marketing agreements made effective by the Agricultural Adjustment Administration at the request of producers and distributors have provided for an increase in the base price paid to producers for fluid milk, but the benefits from these increases have been limited by the existence of the surplus and the resulting low price for butterfat. This has meant that the average price paid to any given producer often has been considerably below the base price he received for that portion of his product sold as fluid milk.

Dairymen not situated in the fluid milk area have not been aided by the milk marketing agreements, as their product goes entirely into manufacturing channels. It was largely to assist this group that the Administration executed the temporary program of surplus butter removal.

Officials of the Administration take the position that an adjustment of milk production will decrease the amount going into butter and other manufactured products, thus strengthening the butter price and benefiting the entire industry.

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## CORN-HOG PROGRAM BIGGEST SINGLE EFFORT

Secretary of Agriculture Wallace, in a message to county field agents engaged in educational and organization work in behalf of production control plans under the Agricultural Adjustment Act, says:

"The success of the Agricultural Adjustment Administration this year will depend more upon the success of the corn-hog program than upon all the others combined. This program is the biggest single effort, the most complex, and it will be the most difficult in which to achieve success.

"Corn-hog farmers are widely scattered. They are keen and intelligent as a group, and they have a self-interest after long association with the market place which is first in their consideration of any plan or problem. Recent hardships have made them receptive to new ideas.

"I am convinced that nine-tenths of our farmers do not know of our changed position in the world's market; you have an open mind upon which to write the facts. I am frankly looking ahead toward a long-time program as the one which will save this Nation. I hope that we can take time to get across the fundamentals of this plan."

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SECRETARY WALLACE ON NATIONAL PLANNING

From a recent address by Secretary of Agriculture Wallace in Chicago on "The Farm Part in the National Plan", the following is quoted:

"It seems clear that the objective of a long-time plan must be to direct our resources, human and other, to producing those things which we really want. We should debate in Congress, in public forums, and in country schoolhouse meetings, whether we want international planning, national planning, or some skillful combination of the two. We might even debate whether we could get along without planning at all, and return to the haphazard kind of world we had before 1914.

"As a matter of fact, we never had a completely unplanned world. When folks say that in the 19th Century free-trade England had nearly complete laissez-faire, they forget that what England really had was international planning. Her upper-class aristocracy was exceedingly intelligent, and highly respected by the other classes. They more or less deliberately planned where to place foreign loans. England loaned money to Argentina to build railroads, and sold her the railroad equipment. In return England received from Argentina wheat and cattle. This international planning of the British worked marvelously well for a century, but today, now that the newer countries to which they formerly sold goods have developed their own manufacturers, there is some reason for thinking that this international British planning will have to be greatly changed, if Britain is to avoid the most serious kind of economic trouble.

"I could go ahead and point out some of the complications of international planning, and how it really requires planning within the country, because large loans abroad inevitably mean, sooner or later, if the money is not to be thrown away, the acceptance of large amounts of goods from abroad. For example, a genuinely international course on the part of the United States might mean receiving about a billion dollars more goods from abroad than we received in 1929 so that debts might be serviced and that there might be sufficient foreign purchasing power to absorb our exports at a fair price.

"The admission of such huge quantities of goods from abroad would doubtless mean that many of our factories would have to adjust their operations. Closing down some of the factories would be of grave national concern,

not only because of the resulting unemployment, but also because some types of factories are needed in time of war. It would seem, therefore, that international planning must include a complete survey, item by item, of all the products that enter into our annual output, and a conscious decision as to which kind of products we might receive in large quantities from abroad, in time of peace, without jeopardizing those industries which we absolutely require in time of war. International planning obviously throws the burden of readjustment on factories rather than on farms.

"When we turn our attention to national planning, and reconcile ourselves to the idea that there never again will be the foreign purchasing power which before the war came from the 200 millions in annual interest payments from abroad, and which since the war has temporarily come from loans we have made abroad at the rate of 500 million to a billion dollars annually, we find ourselves confronted with the necessity, as I pointed out to you a year ago at the 14th annual Farm Bureau meeting, of retiring permanently from agricultural use perhaps 40 million acres of farm land. Of course, there are a few manufacturing industries which would require readjustment if we follow the national plan, but for the most part the burden is on agriculture.

"...I am not talking about a regimented American life. I am merely asking that the leadership of agriculture, labor and business be sufficiently enlightened so as to permit of inter-class statesmanship instead of petty local bickering. I believe that if the leaders of labor, industry and agriculture raise their eyes to the broader picture, they can lead all of us into undreamed of prosperity. ... But ... it will first be necessary to agree on the extent to which this Nation is going to follow the international path, the national path or some combination of the two. This in turn means that the full implications of each of these three paths should be presented with the greatest vigor possible to every person in the United States. And above all, it should be pointed out in connection with each of the plans just who is going to be hurt, so that when the decision is finally made, we shall have the resolution to follow through and stand the political pain of seeing certain interests restricted for the greater good."

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## PROCESSING TAX ON HOGS TO REMAIN $1 UNTIL FEBRUARY

The processing tax on live hogs, imposed under the Agricultural Adjustment Act, will remain at $1 a hundredweight, live weight, until February 1, 1934, instead of going to $1.50 a hundredweight at midnight December 31, 1933, as was provided in the original hog regulations.

A revision of the regulations, extending the $1 rate of the tax and setting up a new schedule for subsequent increases, was issued December 22 by Henry A. Wallace, Secretary of Agriculture, with the approval of the President.

On February 1, 1934, the processing tax on hogs will be $1.50 and on March 1, 1934, $2.25 a hundredweight (live weight).

The revision in the processing tax on hogs was made partly in consideration of the continued large slaughter of hogs. The findings of the Secretary indicated that the payment of the processing tax under the original schedule on the large supply of hogs during January and February would tend to result in the accumulation of surplus stocks and depression of the farm price of hogs.

According to the Bureau of Agricultural Economics, the Federally inspected slaughter of 4,501,000 live hogs during November represented an increase of about 20 percent over the same slaughter in November, 1932. Preliminary estimates indicate that the Federally inspected slaughter through December will be about as large as that of last year, and that a reduction in numbers of hogs coming to market, resulting from the emergency hog marketing program last summer, will not be noticeable until January 15, 1934, or after and probably not to its fullest extent before March, 1934. Most of the pigs which were sold for premium prices during August and September would not have reached the average market weight until sometime after the first of 1934.

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